



Cabinet

Item
8(i)

24 January 2024

Report of	Deputy Chief Executive and Executive Director Place	Author	Lindsay Barker ☎ 507435
Title	Delivery of Colchester Northern Gateway (South) Development		
Wards affected	Mile End		

1. Executive Summary

- 1.1 Colchester Northern Gateway (South) (CNGS) is a significant development site owned by Colchester City Council (CCC). Since 2016 the development of the Northern Gateway has been managed by Colchester Commercial Holdings Limited (CCHL) on behalf of CCC. A hybrid planning consent number 190665 for the site was obtained in December 2022 with several planning conditions needing to be satisfied before development could occur. The main condition is the completion of the Section 278 (S278) highways works to Junction 28 of the A12, Via Urbis Romanae (VUR), Axial Way and United Way to increase capacity at peak periods before any part of the site can be occupied.
- 1.2 The planning consent allows for:
- 45,100m² employment use
 - Healthcare hub
 - private hospital 4,300m²
 - medical centre 1,200m²
 - 75 bed care home 3,600m²
 - 300 older people's homes
 - 350 homes (30% social Housing)
 - Heat network energy centre
 - Delivery of key infrastructure
 - Ancillary Retail/food and drink 1,500m²
 - Digital Network – ultra fast broadband
 - Pedestrian boulevard (The Walk)
 - Community Green 4.5ha
- 1.3 The original delivery strategy developed in conjunction with CCHL was to:
- Develop the employment land including extensive office accommodation having pre-let it to occupiers.
 - Dispose of the Health Hub site (including older people housing) to a master developer to lease to end users. A developer was selected in 2022 but did not proceed due to the change in the economic conditions and property investor confidence during 2023.
 - Sell the housing land to Colchester Amphora Housing Ltd (the subsidiary housing company of CCHL) and lend the company the money to develop the housing and dispose of it.
 - Develop and run the Heat Network through Colchester Amphora Energy Limited (the subsidiary energy company).
- 1.4 CCC was successful in securing Housing Infrastructure Funding (HIF) for infrastructure improvements of £5.5m in 2019. This has been spent to facilitate the relocation of the

Sports Park and enable the development of the site to provide up to 350 homes. The requirement to deliver the housing element of the scheme has been varied in terms of timescales to deliver but remains and is reported on regularly to Homes England.

CCC also successfully secured a Heat Network Investment Project Grant of £3.5m from the then Government Department for Business, Energy and Industrial Strategy towards the development of the CNG Heat Network. Part of this funding has been invested in the early stages of delivering the heat network infrastructure and part remains to be invested.

- 1.5 The team at CCHL has been working with Essex County Highways and National Highways to satisfy the planning condition to complete the S278 works at Junction 28. Agreement has now been reached on scheme design and a programme slot was reserved with National Highways and Essex County Highways for the highways works to be carried out within 2024/25. To progress, CCC now needs to procure a construction partner to complete the detailed scheme design and deliver the works and, in order to commence the procurement process, funding for the works needs to be included in CCC's Capital Programme and Medium Term Financial Framework.
- 1.6 The review of CCHL commissioned by CCC early in 2023, and which has now reported to Cabinet and Governance and Audit Committee, has recommended that:
 - CCC needs to bring this programme of work in house from CCHL, the leadership and responsibility for delivery of the site alongside establishing the new Corporate Landlord Team.
 - A CNGS Programme Board be set up to oversee the review and the reset of the delivery strategy. There are a number of reasons for this outlined in section 3.4 of this report.
- 1.7 As part of taking on the leadership responsibility and to enable the progression of the site to a full delivery option, CCC needs to make funding available for project management capacity within the Corporate Landlord Team, due diligence, feasibility and viability work and a review of development delivery strategies.

2. Recommended Decisions

- 2.1 To approve the inclusion of £7.7 million in CCC's capital programme for 2024/25 to fund the enabling works and some construction works required to Junction 28 of the A12.
- 2.2 To agree to revisit the delivery strategy for CNGS acknowledging that CCC has taken on the leadership and responsibility for delivery from CCHL and needs to review the development strategy and retest the market and site options both within the context of the current planning permission and potentially a new planning approach. It is intended this work will be completed by summer 2024 culminating in a new delivery strategy for the site.
- 2.3 To delegate to the Deputy Chief Executive, in consultation with the Portfolio Holder for Resources, the drawdown of the earmarked reserve – the Revolving Investment Fund (RIF) to fund resourcing within the emerging Corporate Landlord Team, which is being established as part of the Fit for the Future transformation project on Assets to progress the necessary due diligence, a review of the development strategy, market and potential delivery options and to fund any viability and feasibility work needed to progress the delivery of the site.

3. Reason for Recommended Decision

3.1 CNGS is a key site in delivering on some of CCC's priorities in the Strategic Plan.

It will directly contribute to the improvement of health, wellbeing, and happiness:

- With a key new active travel route through the site: The Walk, already delivered and enabling a high-quality walking, cycling, and wheeling option.
- A new health hub providing a private hospital, GP surgery, and a care home.

As a key employment site in the Local Plan, it will support growing the local economy so everyone benefits.

It will also make a significant contribution to delivering homes for those most in need with a minimum of 30% affordable, as well as supported housing options.

In addition, the whole Northern Gateway is a key gateway to the City of Colchester, and it will also be a community hub providing access and services to residents across the city area and beyond.

3.2 The CCHL review recommended the delivery strategy for CNGS needs to be reviewed for the following reasons:–

- A change in CCC's appetite for financial risk given the financial context and significant financial challenges facing Councils across the Country.
- Change in the property market since it was originally approved, for example the significantly reduced market demand for office space following the Covid Pandemic.
- The economic slow-down, cost of living crisis, inflationary pressures and increased interest rates affecting developer, investor, and occupier confidence during 2023.
- Master developer approach to the site has not progressed due to the investment challenges and significant cost escalation on build and infrastructure costs. The market is starting to show signs of returning to some normality as the latest BCIS forecast for 2024 projects a 2% increase (compared to 10.7% annual increase in previous years). Therefore, from a high-level perspective, the confidence in the market is expected to start to improve as prices settle and risk exposure to build costs reduce.
- The CCHL review recommended hibernation of Colchester Amphora Housing Ltd and Colchester Amphora Energy Ltd which were both delivery vehicles for elements of the site.

3.3 CNGS is a strategic site of significant socio-economic and financial value which will facilitate delivery of some of CCC's key Strategic Plan priorities. As a key employment site in the Local Plan, it will support growing the local economy, so everyone benefits as well as providing inward investment. It will also make a significant contribution to delivering homes for those most in need with a minimum of 30% affordable housing. As well as the improvement of health, wellbeing, and happiness with the facilitation of active travel options, the site also has designated community open space. A key strategic gateway site into the City of Colchester, CNGS is also of great financial significance and value (please see Part B for assumptions around value of the site).

- 3.4 Delivery of the whole of the CNGS consented scheme is predicated (via Condition 8 of the planning consent 190665) around the physical completion of the offsite highway works. A cost estimate was prepared in 2019 associated with the highway works and therefore given the market material and labour costs, alongside the development of the highways detailed design works now requires a refresh. The refresh will capture both legal and technical due diligence to feed into the cost plan estimate to provide a robust and complete analysis of the highway works project. Until this work is completed it is proposed the latest working assumption detail in Part B will be included in the Capital Programme.

The technical due diligence will also identify location, issues and solutions relating to existing utilities within the sites which are a significant risk and a key dependency upon time and cost to the delivery of CNG.

- 3.5 It is recognised specialist advice will be needed to review and develop delivery strategy options to meet the strategic objectives of CCC, access the occupier, developer, and investor markets, ensure the delivery of high-quality developments, facilitate infrastructure works and explore options to leverage potential third party investment.

4. Alternative Options

- 4.1 Do nothing – if the S278 highways work is not completed then it will not be possible for any part of the development to be occupied. It is also highly unlikely that any developer would be willing to purchase the site, or part thereof, without this work being completed.

If we do not review the delivery strategy, in light of the significant social and economic changes that have occurred in the last 5 years, any development is less likely to meet current needs or deliver the maximum benefits for residents or CCC and will increase risk to CCC in relation to its investment and successful delivery of the expected outcomes.

- 4.2 Dispose of the site “as is”. This option is likely to prove very difficult without the completion of the S278 highways work as market interest will reduce due to increased cost and risk for developers and, if achievable, will return significantly less capital than if the work is completed. It will also mean that CCC will lose control over the development of the site and the outcomes that can be achieved.

5. Background Information

5.1 Introduction

Colchester’s Northern Gateway (CNG) development is a strategic employment site comprising 19.6 acres (6.7ha) with its own site allocation policy in the adopted Local Plan.

CNG is also included within the boundary of [Freeport East](#). Freeports are designated areas within the UK’s borders where different regulations apply including tax reliefs, customs incentives, business rates retention, planning, regeneration, innovation, and trade and investment support. Freeports aim to create new high-quality jobs in disadvantaged communities.

There is an ambitious growth strategy for new homes but, in tandem, there is a need to deliver well paid and skilled jobs to support and grow the local economy and improve discretionary spend in the city centre.

5.2 Overview of the history of the site and rationale for development

The site has been developed over the past 10 years as packages of land with different legal agreements applying under a Masterplan. This was prepared to enable the relocation of Colchester Rugby Club, the development of a new Sports Hub, and a mixed-use development south of the A12.

The planning policy brief for 'Colchester Northern Gateway' is leisure and wellbeing, commercial office space, residential, recreation, and energy production. Retail is not part of the Planning policy for this development.

As a CCC asset, it provides the opportunity for lease agreements providing rental income, direct income generation from land sales, and development partnership arrangements where the financial and other benefits may be shared, and a variety of service and amenity provisions for a growing place and necessary associated job provision.

5.3 The Current Policy Framework for Planning Decisions

The adopted Local Plan defines CNG as a Strategic Economic Area.

There is nothing apparent in the Local Plan text for CNG or site allocation policy to suggest a threshold for job creation at CNG, but this has been factored into the relevant employment policies.

5.4 Development completed to date and land in current, or, approved for development

The CNG Masterplan designates three discreet zones, please see Appendix A for CNG site map and Appendix B for a map of CNGS.

The western side of the A12 South (NG zone 2, i.e. to the west of VUR) area is a mixture of fully built and operational sites (the Football Stadium and David Lloyd), under construction (CNG Leisure Scheme; the 'Turnstone' development, consisting of a Hotel, Cinema, active leisure, restaurants and drive through units) and undeveloped sites providing future development opportunities (the area to the South of Axial Way and West of Via Urban Romanis). A vacant site remains on the east side of Lloyd Tennis facing the VUR.

The A12 North (NG zone 3) area is now largely built out with the Sports Park, Rugby Club and Park & Ride complete. Smaller in-fill opportunities are currently being explored including leisure (swimming) and roadside service uses. These sites could be unlocked if required highways works are undertaken.

The eastern side of the A12 South (NG zone 1, i.e. to the East of VUR) site is undeveloped at this time (with the exception of The Walk).

6. Equality, Diversity and Human Rights implications

- 6.1 An Equality Impact Assessment (EIA) has not been completed at this stage. This will be completed once the due diligence and strategy delivery work currently in hand has been completed. This will be included when we return to Cabinet in the summer with further detail.

7. Strategic Plan References

- 7.1 CNGS is a key site in delivering on some of CCC's key priorities in the Strategic Plan.

It will directly contribute to the improvement of health, wellbeing, and happiness:

- With a key new active travel route through the site: The Walk, already delivered and enabling a high-quality walking, cycling, and wheeling option.
- A new health hub providing a private hospital, GP surgery, and a care home.

As a key employment site in the Local Plan, it will support growing the local economy so everyone benefits.

It will also make a significant contribution to delivering homes for those most in need with a minimum of 30% affordable, as well as supported housing options.

In addition, the whole Northern Gateway is a key gateway to the City of Colchester, and it will also be a key community hub providing access and services to residents across the city area and beyond.

8. Consultation

- 8.1 Consultation has been carried out extensively as part of securing the hybrid planning consent. Further consultation will be required as detailed planning applications come forward following the refresh of the delivery strategy by the summer.

9. Publicity Considerations

- 9.1 There is significant public interest in the development of the wider Northern Gateway as it provides many services and opportunities for activities for Colchester residents and visitors. It is also a key access route to the A12 and used by many residents and visitors. It will be important to communicate what the decisions mean in terms of the junction works and how the reset of the delivery strategy will impact locally in terms of timescales and managing expectations.

10. Financial implications

- 10.1 To approve the inclusion of £7.7 million in CCC's capital programme for 2024/25 to fund the enabling works and some construction works required to Junction 28 of the A12.
- 10.2 The drawdown of the earmarked reserve – the Revolving Investment Fund (RIF) to fund resourcing within the emerging Corporate Landlord Team, which is being established as part of the Fit for the Future transformation project on Assets to progress the necessary due diligence, a review of the development strategy, market and potential delivery options and to fund any viability and feasibility work needed to progress the delivery of the site.

Due to commercial sensitivity, please see part B of this paper for further financial considerations.

11. Health, Wellbeing and Community Safety Implications

- 11.1 As outlined above Health and Wellbeing is at the core of the Northern Gateway as a Health and Leisure Gateway development. Active travel routes, green spaces and alleviating congestion are all central to the planning approach. In addition, the development will deliver health facilities to increase the health capacity for Colchester.
- 11.2 The development has been planned to design out Crime and Disorder implications to ensure that new residents, workers, or people visiting and using facilities can do so safely.

12. Health and Safety Implications

- 12.1 There are no health and safety implications.

13. Risk Management Implications

- 13.1 Current risks have been identified and are understood. In summary these include:
- The timing of the S278 highways enabling works – CCC will be reliant on National Highways as well as Essex County Council for agreement to start and complete the works within existing programmes of highways work. To mitigate this risk we will work closely with National Highways and ECC to seek to secure dates for delivery alongside the refreshed delivery strategy.
 - Securing a contractor to complete detailed design and deliver the works – we are managing this risk by engaging with the market early and exploring the most effective procurement options including frameworks.
 - Clear cost information – at present we are working on latest estimates and will need to secure more up to date information on all the enabling costs as part of revisiting the delivery strategy. We are also reviewing all spend to date and all committed spend to understand the financial requirements of the project. It is important to note though that until the procurement has been carried out actual costs for S278 works will not be known.
 - In addition, project risks are identified and being managed:

High Level Risk Analysis	Mitigation
Market fluctuations	Quarterly cost plan review supported with monthly monitoring
Statutory Utilities diversions	Ensure all stat utilities diversion works are scoped & completed ahead of the main contractor
Project Structure and Personnel changes	Handover meetings and secure data monitoring
Road Opening Licences x 2 (Both National Highways and Essex Highways)	Hierarchy for responsibility to be established between ECC and Highways England - scoping a second booking as a fall back
ECC technical approval and legal agreements	No regulatory measures for performance and ECC team understaffed

Insurance Bonding (Highways Works)	CCC to confirm mechanism for bonding vs deposit
Insurance Bonding - nuisance claims	Risks analysis to be completed to establish weighting and insurance quotes to be considered (cost vs benefit)
Cost Projection Confidence	Technical and Legal due diligence to be completed to inform the cost plan

14. Environmental and Sustainability Implications

- 14.1 Full consideration of the Environmental and Sustainability implications has not been completed at this stage. This will be completed once the due diligence and strategy delivery work currently in hand has been completed. This will be included when we return to Cabinet in the summer with further detail.

Appendices

- Appendix A – CNG Site Map
- Appendix B – CNGS Site Map

Background Papers

Appendix B – CNGS Site Map

